

ANALYSIS OF 2018 INTRODUCED BUDGET

*Council Office of
Financial Analysis*

Summary

The Council Office of Financial Analysis supports the 2018 proposed budget. This budget continues to create fiscal stability for the City of Chicago by further addressing issues including pension funding, retiree health care costs, and eliminating the practice of “scoop and toss”. While these long-term threats to the financial stability of the City are being successfully addressed, there is more work to be done. The COFA recommends no additional delay in steps to address future financial pressures, such as increased future debt service, additional pension liabilities and the use of unobligated corporate fund balances to close budgetary gaps.

The 2018 budget shows revenue growth that is reflective of the City’s broad base of revenue sources. Significant growth in corporate fund and property tax fund revenues are largely a result of actions taken to make necessary increases in contributions to City’s pension funds, and will not be available to provide additional City services.

Notable in the 2018 Budget:

- TIF revenues are up \$100M over last year
- Increased homeowners exemption to provide property tax relief
- Increased investment in youth programming
- Continued implementation of police reforms and new officer hiring plan
- Increased amusement taxes
- Increased 911 surcharge to fund new State-mandated 911 system

2018 COFA Recommendations:

- Prioritize implementation of electronic timekeeping for CPD and overtime policies for all City departments
- Address any necessary budgetary changes that result from new Collective Bargaining Agreements that may take effect in FY2018 as those agreements are reached
- Make sure projected TIF expenses are accurately stated to provide appropriate surplus as revenues continue to increase
- Continue to review user fees for City services to ensure that these fees are appropriate
- Implement data-driven service and enforcement models to continue to improve efficiencies in service delivery and increase revenue collection
- Consider all options for future City recycling programs as the current contract expires in 2018

Proposed Resources – General Funds (Corporate and Property Tax Funds)

CITY OF CHICAGO				
Projections FY16-FY18				
	<i>Actual 2016</i>	<i>Proposed 2017</i>	<i>Updated 2017</i>	<i>Proposed 2018</i>
RESOURCES				
Property Tax	\$1,261.20	\$1,316.42	\$1,316.42	\$1,410.67
Sales Tax	\$671.30	\$698.84	\$674.70	\$653.39
Utility Tax	\$433.20	\$437.00	\$417.90	\$558.02
Internal Service Earnings	\$358.50	\$358.89	\$358.90	\$280.42
Transaction Tax	\$455.10	\$394.94	\$430.00	\$422.64
Fines	\$338.00	\$358.80	\$326.70	\$326.20
Income Tax	\$262.20	\$267.35	\$256.10	\$252.51
Recreation	\$248.60	\$221.56	\$249.20	\$268.89
Transportation	\$242.80	\$241.44	\$252.30	\$293.50
Personal Property Replacement Tax	\$150.00	\$132.27	\$160.40	\$134.20
License and Permits	\$130.10	\$128.00	\$128.20	\$131.05
Charges	\$130.60	\$114.91	\$119.00	\$122.00
Business Tax	\$118.50	\$123.92	\$136.60	\$128.50
Transfers In	\$8.00	\$37.00	\$37.00	\$25.50
Leases	\$25.90	\$36.00	\$28.80	\$36.58
Parking	\$7.50	\$21.80	\$7.60	\$8.00
Other	\$59.50	\$146.23	\$162.50	\$255.16
Total Projected Resources	\$4,901.00	\$5,035.37	\$5,062.32	\$5,307.22
EXPENDITURES				
Public Safety	\$2,064.33	\$2,131.78	\$2,131.78	\$2,112.04
Pensions	\$776.40	\$944.55	\$944.55	\$1,128.85
Debt Service	\$565.32	\$546.05	\$546.05	\$544.43
Citywide	\$558.25	\$545.10	\$561.10	\$619.37
Fleet, Facilities, and Admin	\$388.48	\$394.34	\$388.74	\$400.51
Infrastructure	\$193.03	\$202.36	\$202.36	\$207.00
Community Services	\$149.17	\$214.50	\$214.50	\$211.41
Regulation	\$51.44	\$51.81	\$57.44	\$57.40
City Development	\$14.14	\$14.19	\$14.19	\$14.45
Unspent appropriations				
Total Projected Expenditures	\$4,760.56	\$5,044.68	\$5,060.71	\$5,295.47

Overview

For Fiscal Year 2018, projected resources between the corporate fund and property tax funds are anticipated to increase 4.6% over updated 2017 revenues to \$5,307.22 million. However, this amount also includes \$122.3 million in the previously enacted Water and Sewer Utility Tax that is deposited with the Municipal Employees' Annuity and Benefit Fund. Also included in these increased revenues are \$94 million in property taxes attributable to previously adopted levy increases to cover rising contributions to the City's public safety pension plans and accounting for new property that has been added to the tax rolls. In short, much of the growth in revenues anticipated in 2018 are related to actions taken by the City to provide for more appropriate contributions to the City of Chicago's four pension funds.

Sales taxes, the City's largest revenue source for the corporate fund, are projected to decline in Fiscal Year 2018 by 3.2% to \$653.39 million from revised 2017 projections of \$674.70 million. The decline thus far in 2017 has largely been the result of weakness for the Home Rule sales tax, which is typically not applied to online purchases, whereas the City's portion of the state sales tax is collected and remitted to the City. In addition to that, part of the end to the State's budget impasse included the imposition of a 2% collection charge on home rule sales tax collections. Sales taxes are also projected to be lower in the corporate fund as a result of the creation of the Sales Tax Securitization Corporation (STSC), which will have sales taxes necessary for debt service pledged to it, diverting those revenues from the corporate fund, but relieving the need to appropriate additional resources from the corporate fund to pay for debt service.

Fines owed to the City are projected to remain essentially flat for updated 2017 projections at \$326.2 million. Increased revenues from Department of Finance initiatives including enhanced parking enforcement will be offset by reductions as a result of other policy changes, notably changes that have been made that are anticipated to reduce revenues received from red light cameras.

Similar to experience in 2016, utility taxes in 2017 are below budgeted expectations, particularly because of a relatively mild winter. As a result, utility taxes, not including the new water and sewer utility tax, are anticipated to grow to \$435.7 million.

Transaction taxes are anticipated to decline 1.7% from updated 2017 estimates, to \$422.64 million. However, current 2017 estimates are significantly higher than budgeted amounts for 2017. Continued strength in the performance of the Real Estate Transfer Tax and greater than anticipated compliance with the City's personal property lease transaction tax has contributed to the strong performance.

The City is anticipating a drop in Personal Property Replacement Tax revenues of 16% from updated 2017 estimates to \$134.2 million. However, 2017 revenues have been significantly greater than anticipated due to a change in the timing of the repayment of misclassified PPRT payments that were made to all local governments by the State of Illinois from 2014 through 2016. In addition, the State of Illinois has been continuing its practice of using PPRT resources to cover shortages in its' general funds budget. Income tax revenues transferred from the State to the City will remain largely flat, though

changes were made to both the amount and the timing of transfers to local governments. These changes will likely offset one another, minimizing its impact in 2018.

Business tax revenue is projected to decline by 5.6%, to \$128.5 million. In 2017, the City of Chicago received a one-time settlement payment from hotel booking websites which led to a significant increase over budgeted amounts. Not receiving that payment in 2018 is largely responsible for the anticipated decline.

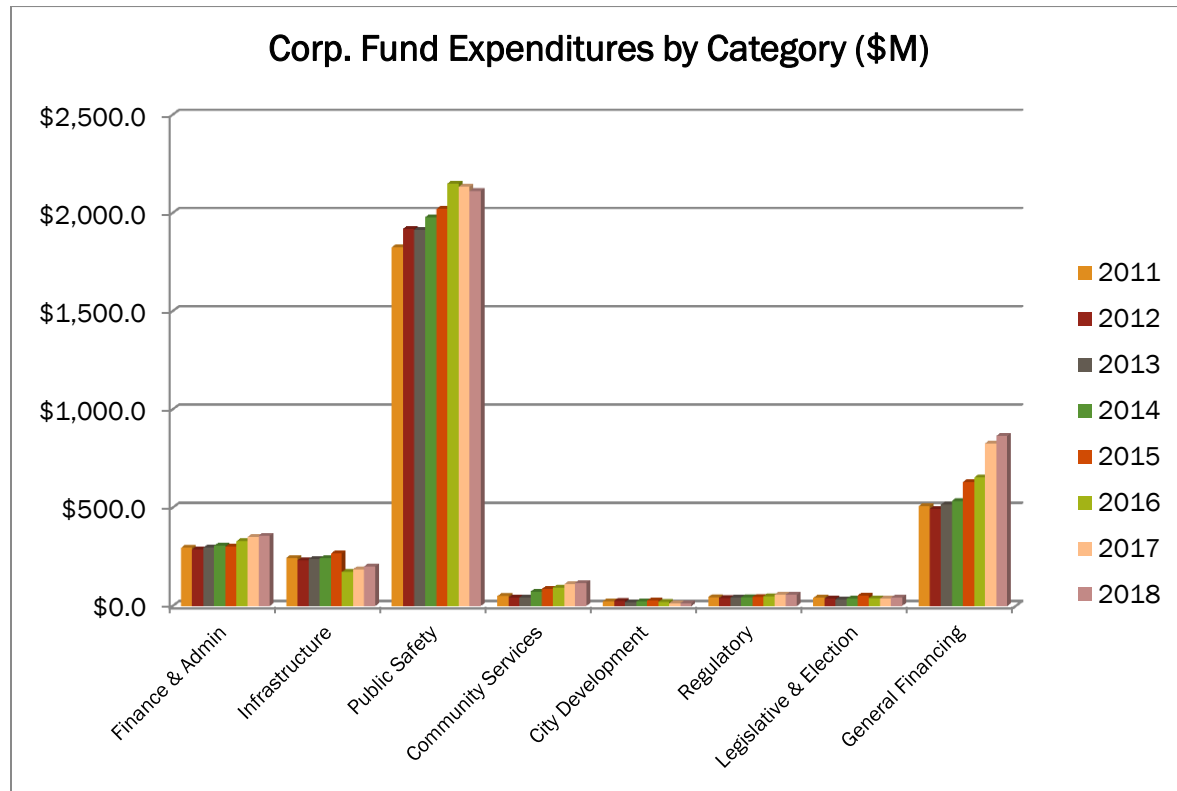
Parking taxes are projected to remain flat at \$8 million to update 2017 revenues after a significant anticipated reduction as a result in getting the new downtown loading zone pilot program up and running. This program has now started operating, and if it continues to grow and is successful, these revenues could potentially be significantly higher than projected.

Recreation taxes are projected to grow by 7.9%, to \$268.89 million, above updated 2017 estimates. \$15.8 million of this increase is from a change in the City's policy on what is owed for amusement taxes. Currently, sporting events, movies and other amusements are taxed at 9% while live performances in venues with a capacity of more than 750 are taxed at a 5% rate. The City is proposing to charge the full 9% rate to live performances in venues with a capacity greater than 1,500, and eliminate the tax all together for venues with a capacity lower than that amount.

Other sources of revenue are projected to come in at \$255.16 million. This amount includes \$40 million in declared TIF surplus. The declared TIF surplus is largely the same as 2017, though TIF revenues in the City increased by \$100 million this year. (\$18 million of that increase is attributed to the new Transit TIF associated with the Red/Purple line modernization project.) This follows an increase in TIF revenues of \$89 million in the prior year. In addition, the City is proposing to utilize \$37 million of unobligated corporate fund balance out of its total unobligated fund balance of \$153 million. In 2017, the amount utilized is projected to be \$53 million, though \$16 million was from resources that were set aside for a property tax rebate program that went unspent.

Outside of the corporate fund, the City is proposing an increase in the 9-1-1 surcharge from \$3.90 per month to \$5.00 per month. This change, recently authorized under State law, is projected to raise approximately \$19 million. These revenues are deposited into the Emergency Communications Fund, and will allow dedicated revenues to cover expenses of the 9-1-1 system, relieving pressure on the corporate fund to cover these operations. The increased revenues will also allow the City to make investments in updating its 9-1-1 system.

Projected Expenditures by Policy Area



Expenses out of the corporate and property tax funds are anticipated to increase approximately 1.5%, or \$52 million, if payments for pensions and debt service are excluded. This growth represents relatively modest growth of general fund spending covering the day to day operations of City government.

Property taxes dedicated to debt service are budgeted to increase by \$17 million in Fiscal Year 2018. This increase, combined with refunding existing general obligation debt so that some debt service payments are covered by the Sales Tax Securitization Corporation, allow the City to free up resources to cover the costs required to end the practice of “scoop and toss” and eliminate the need for future “scoop and toss” financings. Pension contributions are increasing in accordance with the ramp up payments that have been adopted under State law. These ramp-up payments will continue until the law mandates that the City begin payments on an actuarially determined schedule, which will require significant increases in contributions when the switch is made. This will occur in 2020 for the public safety pension funds and 2022 for other municipal employees. Contributions to the pension funds from property tax revenues, corporate fund contributions and the water and sewer utility tax total \$1,129 million in 2018.

In terms of the day to day operations of City government, corporate fund expenditures for public safety are projected to show a net decline of \$20 million resulting from shifts in funding sources. This includes a \$57 million increase for the Chicago Police Department for final implementation of the City’s two year hiring plan to bring in an additional 970 sworn personnel. There is a slight reduction in the budget for

the Chicago Fire Department which is accomplished by shifting some costs of work related injuries to the Finance General. The Office of Emergency Management and Communication is anticipated to see a reduction of corporate fund appropriations of \$75 million by shifting a significant portion of their operations to the Emergency Communications Fund.

Significant increases are also included in the Finance General portion of the budget. Not including pensions or debt service, these expenses are increasing 10% over Fiscal Year 2017. Notable increases include absorbing costs for work related injuries that were previously budgeted within department budgets, some increased IT expenditures, scheduled wage adjustments, and \$14 million for security for Chicago Public Schools. Also included is an appropriation of \$4.7 million for construction work.

Targeted investments with the Department of Family and Support Services continue to increase in the Fiscal Year 2018 budget, in addition to increases that were adopted as part of the 2017 budget. These include:

- \$1 million increase in Youth Mentoring Programs.
- \$1 million increase in Summer Programs.
- \$2 million increase for After School Programs.
- \$1 million increase for Homeless Services.

These increases are on top of increases that were adopted as part of the 2017 budget.

General administrative expenses are budgeted to grow approximately 3% over Fiscal Year 2017 appropriations. These include increases for the Board of Elections to provide new election equipment and prepare for the 2018 elections, as well as \$1 million for the City Clerk to implement the Municipal ID program.

Office of the Mayor

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$6,566,913	\$6,815,378
All other Funds	\$946,056	\$888,803

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$6,279,625	\$6,528,090

By Purpose	FY 2017	FY 2018 Recommended
Executive	\$471,602	\$476,312
Administration	\$4,603,789	\$4,585,574
Press Office	\$1,192,070	\$1,267,646
LCGA	\$1,555,513	\$1,466,125
International Relations	\$270,967	\$231,151

- Increase of headcount 2

Office of Budget and Management

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$2,976,298	\$3,029,848
All other Funds	\$6,611,000	\$6,531,980

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$2,935,512	\$2,989,062

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$523,487	\$431,432
Analysis	\$1,315,633	\$1,326,346
Management Initiatives	\$454,872	\$459,331
Compensation Control	\$504,072	\$290,892
Capital and Infrastructure	\$461,172	\$342,419
Data Analytics	\$540,343	\$439,267
TIF Program Management	\$96,720	\$96,720
Central Grants Management	\$9,086,364	\$6,373,852

Department of Innovation and Technology

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$20,118,136	\$22,815,293
All other Funds	\$8,956,831	\$8,000,239

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$8,959,990	\$7,505,138

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$1,221,614	\$1,906,711
Enterprise Architecture	\$5,824,019	\$4,378,921
Public Service Applications	\$4,649,099	\$
Geographic Information Systems	\$578,674	\$
Shared Services	\$2,299,851	\$
Technical Operations	\$2,563,715	\$4,005,518
Enterprise Applications	\$8,709,924	\$17,346,915
Advanced Analytics and Data Management	\$2,085,509	\$2,182,963
Software Development	\$	\$1,608,038

- Certain expenses are also being covered by the user departments.
- Notable projects are underway in conjunction with BACP, DPH and OEMC
- Proposed headcount reduction of 9 FTEs

City Clerk

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$3,149,155	\$4,199,549
All other Funds	\$6,872,544	\$6,497,071

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$2,586,818	\$2,694,693

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$648,109	\$644,863
City Council Support	\$2,468,891	\$2,519,868
License Management	\$6,973,067	\$6,721,920
Municipal ID		\$1,085,836

- **\$1 million increase to cover costs of Municipal ID program**

Department of Finance

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$68,553,711	\$68,885,075
All other Funds	\$17,371,182	\$16,797,049

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$37,296,517	\$37,317,675

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$4,433,365	\$4,350,961
Accounting and Financial Reporting	\$11,117,085	\$10,163,951
Financial Strategy and Operations	\$8,422,321	\$8,740,941
Payment Processing	\$7,100,078	\$6,507,575
Tax Policy and Administration	\$6,740,775	\$6,699,796
Street Operations	\$18,222,482	\$18,450,119
Accounts Receivable	\$31,293,368	\$32,578,988

- Limited expenditure changes across the Department for 2018.

City Treasurer

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$1,556,713	\$1,697,910
All other Funds	\$2,515,118	\$2,446,664

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$880,261	\$882,848

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$869,744	\$949,797
Portfolio Management	\$1,501,610	\$1,469,942
Financial Reporting	\$1,122,754	\$1,185,669
Economic Development	\$544,633	\$539,166

Department of Administrative Hearings

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$8,591,069	\$8,532,654
All other Funds	\$0	\$0

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$3,180,187	\$3,116,527

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$1,165,951	\$1,151,978
Customer Services	\$1,507,173	\$1,513,564
Building Hearings	\$606,701	\$609,628
Consumer and Environmental Hearings	\$938,589	\$935,082
Municipal Hearings	\$1,320,944	\$1,379,249
Vehicle Hearings	\$3,098,946	\$3,094,144

- No change in FTEs, salary adjustments

Department of Law

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$28,750,881	\$29,427,808
All other Funds	\$9,549,113	\$9,289,169

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$25,711,055	\$26,373,674

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$5,664,548	\$5,874,516
Torts	\$3,814,790	
Legal Information and Investigations	\$517,392	\$585,222
Appeals	\$1,209,869	\$1,259,529
Building and License Enforcement	\$5,632,862	
Litigation		\$13,522,302
Constitutional and Commercial Litigation	\$1,421,863	
Contracts	\$856,308	
Employment Litigation	\$1,256,374	
Federal Civil Rights Litigation	\$5,220,660	
Labor	\$2,055,583	\$2,211,709
Legal Counsel	\$702,480	\$595,707
Prosecutions	\$1,970,754	\$7,642,435
Aviation, Environment and Regulatory	\$1,988,497	\$2,767,435
Finance and Economic Development	\$2,199,416	\$2,211,771
Revenue Litigation	\$1,239,780	
Real Estate	\$1,087,968	\$1,058,872
Collection, Ownership and Admin Litigation	\$2,628,237	\$2,650,718

- Consolidation of certain purposes within budget presentation, namely combining “Building and License Enforcement” with “Prosecution” and creating an umbrella “Litigation” purpose.
- Increases in headcount for collection litigation and labor.

Department of Human Resources

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$6,618,363	\$6,723,807
All other Funds	\$640,533	\$679,427

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$5,939,510	\$5,819,807

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$1,320,107	\$1,554,600
Employment Services	\$3,034,492	\$3,207,634
Information Services	\$805,838	\$790,547
Strategic Services	\$484,700	\$441,172
Workforce Compliance	\$1,608,671	\$1,772,556

- Since 2014, staffing has increased from 76 to proposed 86 FTEs
- Since 2014, appropriation has increased from \$5.85M to \$7.40M, an increase of 26%

Department of Procurement Services

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$6,708,188	\$6,841,179
All other Funds	\$2,040,031	\$2,067,480

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$5,993,845	\$6,158,034

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$1,529,896	\$1,622,527
Contract Management	\$5,250,101	\$5,297,424
Certification and Compliance	\$2,161,037	\$2,329,956

- **Headcount has increased from 90 FTE in 2014 to recommended 103 FTE in 2018**
- **Appropriation has increased from \$7.86M in 2014 to recommended \$8.90M in 2018**
- **The ongoing eProcurement implementation is expected to be complete in 2018**

Department of Fleet and Facility Management

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$197,754,825	\$199,902,520
All other Funds	\$147,747,084	\$152,290,132

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$77,152,224	\$77,035,369

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$3,769,796	\$3,835,626
Support Services	\$961,640	\$971,060
Facility Management	\$57,611,731	\$61,432,364
Environmental Health and Safety	\$4,567,228	\$4,485,332
Capital Improvements	\$19,160,213	\$21,552,180
Lease and Real Estate Portfolio Management	\$17,823,213	\$17,892,379
Energy Services	\$128,527,184	\$127,073,919
Graphics Services	\$2,732,655	\$2,841,851
Fleet Operations	\$112,186,899	\$112,716,276

- The appropriation for the Bureau of Facility Management has increased from \$50.64M in 2015 to recommended \$61.43M in 2018. This is a 21% increase.
- Non-Personnel Services appropriations for the Bureau of Facility Management have increased from \$35.36M in 2014 to recommended \$47.81M in 2018. The Library fund appropriation increased by \$2M from 2017 to 2018.
- 2FM plans to award the contract for management of the Riverwalk by the end of 2017

Department of Streets and Sanitation

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$146,597,700	\$149,603,606
All other Funds	\$110,353,267	\$113,814,809

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$82,724,925	\$86,489,277

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$6,438,689	\$6,897,772
Operational Support	\$5,374,688	\$4,872,480
Return to Work Development	\$456,611	\$0
Solid Waste Collection	\$113,154,854	\$110,648,005
Solid Waste Disposal	\$38,401,566	\$44,274,513
Rodent Control	\$10,540,269	\$11,724,565
Street Sweeping	\$7,311,988	\$7,656,783
Community Enhancements	\$16,661,922	\$19,454,682
Equipment Support Services	\$3,550,194	\$3,990,544
Graffiti Blasters	\$4,857,724	\$4,719,423
Street Operations	\$16,608,691	\$17,687,534
Forestry Operations	\$14,080,338	\$13,233,641
Special Traffic Services	\$2,982,021	\$2,972,034
Contractual Towing	\$1,099,429	\$1,152,554
City Towing	\$13,944,391	\$14,739,817
Auto Pounds	\$5,390,955	\$5,216,998

- The Bureau of Forestry had increased headcount from 193 FTEs in 2014 to 243 FTEs in 2017. This budget recommends reducing the headcount to 216 FTEs in 2018.
- The Bureau of Rodent Control has a 2018 recommended headcount of 130 FTEs, an increase of 10 FTEs from 2017. Appropriation is a 10.8% increase compared to 2017.
- Solid Waste Collection and Street Sweeping have 90 fewer FTEs compared to 2014 due to changing operations to the grid systems.

Chicago Department of Transportation

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$40,643,202	\$40,058,947
All other Funds	\$495,340,358	\$401,729,240

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$36,202,749	\$35,705,537

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$6,710,138	\$6,439,808
Public Information	\$292,884	\$296,700
Performance Management	\$315,672	\$776,256
Intergovernmental Relations	\$2,190,652	\$2,162,672
Design/Construction Management	\$340,528,012	\$244,250,036
Neighborhood Improvement	\$7,296,000	\$
Traffic Safety	\$15,994,932	\$15,549,641*
Public Way Management	\$5,687,231	\$6,326,622
Sign Management	\$4,368,028	\$4,596,710
Project Development	\$111,485,754	\$76,327,926
Electrical Operations and Management	\$33,545,057	\$33,297,190
Construction Support	\$3,536,452	\$2,477,077
Bridge Management	\$19,870,791	\$21,914,762
Asphalt Management	\$24,583,143	\$19,221,093
Concrete Maintenance	\$31,101,914	\$31,292,566

- Total departmental budget is approximately \$55M lower than 2017 funding.
- Project Development allocation is approximately \$35M lower than the 2017 budget.
- Design/ Construction Management is approximately \$95M higher than the 2017.

Department of Aviation

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$0	\$0
All other Funds	\$832,570,828	\$823,123,214

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$0	\$0

By Purpose	FY 2017 Recommended	FY 2018 Recommended
Administration	\$29,955,419	\$31,641,242
Financial Management	\$19,922,638	\$20,668,389
Legal and Contract Management	\$1,264,492	\$1,259,488
Commercial Development and Concessions	\$18,926,230	\$14,617,788
Capital Development	\$359,518,998	\$331,816,022
Airfield Operations	\$70,309,614	\$71,414,945
Landside Operations	\$122,377,539	\$131,415,071
Security and Safety Management	\$57,672,348	\$60,954,892
Facility Management	\$157,022,775	\$165,183,244

Department of Water Management

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$0	\$0
All other Funds	\$293,074,034	\$293,398,931

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$0	\$0

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$12,392,404	\$13,284,037
Safety and Security	\$7,315,792	\$7,295,749
Capital Design and Construction	\$3,432,168	\$3,471,953
Engineering Services	\$5,395,354	\$1,927,563
Inspection Services	\$5,200,275	\$5,308,804
System Installation	\$68,092,192	\$62,631,804
Water Quality	\$6,042,828	\$5,642,097
Water Pumping	\$29,615,952	\$29,356,672
Water Treatment	\$52,925,119	\$49,158,556
System Maintenance	\$106,075,233	\$110,890,770
Communications and Coordination	\$2,104,491	\$2,112,023
Meter Operations Support	\$3,848,209	\$3,772,165
Water Meter Installation and Repairs	\$7,975,116	\$8,016,755

- **Budget shifted away from System Installation to System Maintenance**
- **System Maintenance FTEs were 1,056 in 2015, recommended 1,245 FTEs in 2018**

Police Board

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$473,644	\$473,519
All other Funds	\$0	

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$283,272	\$283,272

By Purpose	FY 2017 Recommended	FY 2018 Recommended
Police Discipline	\$473,644	\$473,519

- Resources for office supplies and meeting costs shifted to cover travel expenses.

Civilian Office of Police Accountability

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$7,194,928	\$13,289,393
All other Funds	\$0	\$0

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$5,798,026	\$10,208,036

By Purpose	FY 2017 Recommended	FY 2018 Recommended
Administration	\$2,044,774	\$2,304,433
Investigations	\$8,694,528	\$9,152,460
Legal		\$2,101,100
Public Outreach	\$431,950	\$441,548

- COPA increases related to full year implementation of new office.
- Ordinance states that COPA will have a budgetary floor of 1% of CPD's annual budget the target is met if costs of employee pensions and health care are also considered.
- Pensions and health care costs account for around 40% of employee payroll, which would add an approximately \$4,083,214 to its budget for a total of \$17,372,607.

Department of Police

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$1,434,581,644	\$1,492,916,072
All other Funds	\$59,387,677	\$59,430,704

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$1,363,616,503	\$1,426,571,156

By Purpose	FY 2017 Recommended	FY 2018 Recommended
Office of the Superintendent	\$17,460,675	\$32,749,694
Office of the First Deputy	\$15,799,447	\$13,594,118
Bureau of Organizational Development	\$19,017,621	\$88,345,137
Bureau of Patrol	\$1,151,287,769	\$1,183,199,088
Bureau of Detectives	\$141,664,924	\$153,778,391
Bureau of Organized Crime	\$66,821,896	\$67,694,996
Bureau of Support Services	\$120,575,997	\$0
Bureau of Technical Services		\$43,011,745
Reform Management		\$9,506,471

- Increase in headcount of 495 to finish two year hiring plan.
- Full annualization of sworn personnel hired during first year of plan.
- Expand Strategic Decision Support Centers to an additional 6 districts.

Office of Emergency Management and Communications

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$102,405,688	\$26,570,409
All other Funds	\$141,225,660	\$267,653,610

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$84,840,005	\$25,419,372

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$4,396,447	\$4,685,394
Police and Fire Operations	\$52,677,291	\$55,600,895
Emergency Management	\$125,261,913	\$151,610,916
Technology	\$26,722,020	\$50,016,512
311 City Services	\$4,660,645	\$4,766,159
City Operations	\$30,550,761	\$31,447,080

- **Budget shifted from Corporate Fund to Emergency Communication Fund.**
- **Shift expenditures to the department from Finance General in the Emergency Communications Fund.**
- **Personnel costs and headcount flat from 2017 to 2018**

Fire Department

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$582,228,559	\$578,794,455
All other Funds	\$52,456,551	\$54,421,160

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$562,284,906	\$564,845,565

By Purpose	FY 2017 Recommended	FY 2018 Recommended
Administration	\$31,959,356	\$27,998,342
Fire Suppression and Rescue Operations	\$508,614,791	\$513,595,277
Emergency Medical Services	\$89,467,759	\$87,744,653
Support Services	\$12,617,163	\$12,134,654
Fire Prevention	\$10,137,254	\$10,632,206

- Shift of costs of work related injuries from the department's budget to finance general of \$9 million allow for reduction in corporate fund appropriation reductions.
- Corporate fund headcount reduction of 3.

Department of Public Health

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$31,990,357	\$32,916,359
All other Funds	\$128,924,093	\$125,991,000

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$16,069,402	\$16,147,904

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$8,364,101	\$8,143,987
HIV/AIDS/STI Services	\$65,343,629	\$63,515,428
Food Protection	\$3,918,221	\$4,889,436
Communicable Disease	\$4,978,566	\$4,348,341
Tuberculosis Control	\$2,901,537	\$2,962,781
Immunization	\$6,181,968	\$7,313,843
Mental Health Services	\$10,232,764	\$10,735,185
Substance Abuse	\$3,381,673	\$4,096,101
Violence Prevention	\$2,304,398	\$2,793,850
Lead Poisoning Prevention	\$8,872,031	\$9,347,901
Women's and Children's Health	\$15,686,266	\$14,346,167
Emergency Preparedness	\$14,341,348	\$19,812,225
Epidemiology	\$4,425,700	\$5,235,147
Environmental Health and Permitting	\$3,444,270	\$4,285,151

- **Pharmaceutical representative licensing requirement went into effect July 1, 2017. License fees are included in the Corporate Fund revenue sources.**
- **Expanding environmental inspections by hiring 10 new inspectors.**

Commission on Human Relations

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$1,165,519	\$1,231,493
All other Funds	\$1,268,746	\$1,207,130

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$1,094,682	\$1,099,492

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$349,663	\$401,323
Human Rights Compliance	\$1,587,292	\$1,627,497
Community Relations	\$566,300	\$505,702

- **No change in FTEs**
- **Non-Personnel services recommended increase 22% from 2017. Up 55% from 2016 to recommended 2018.**

Mayor's Office for People with Disabilities

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$1,414,445	\$1,627,801
All other Funds	\$3,916,252	\$3,779,473

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$1,184,353	\$1,919,731

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$1,200,929	\$1,106,486
Employment Services	\$415,795	\$422,273
Accessibility Compliance	\$367,077	\$380,080
Prevention Programs	\$297,641	\$336,152
Disability Resources	\$1,066,840	\$1,106,121
Independent Living Program	\$1,969,637	\$1,886,466
Access Chicago	\$62,250	\$214,250

- \$160K reduction in grant funding across categories
- \$210K increase in Corporate Fund appropriation

Department of Family and Support Services

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$76,435,254	\$82,036,890
All other Funds	\$327,323,709	\$316,281,194

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$4,546,247	\$4,376,519

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$6,090,553	\$6,154,252
Child Services	\$259,603,386	\$250,416,074
Youth Services	\$48,276,890	\$50,236,437
Human Services	\$50,106,824	
Homeless Services		\$33,729,957
Domestic Violence	\$4,051,026	\$3,122,224
Workforce Services	\$9,211,526	\$9,447,846
Senior Service Programs	\$27,657,821	\$33,082,289

- \$1 million increase in Youth Mentoring Programs.
- \$1 million increase in Summer Programs.
- \$2 million increase for After School Programs.
- \$1 million increase for Homeless Services.

Chicago Public Library

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund*	\$0	\$0
All other Funds	\$74,036,810	\$77,453,977

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$0	\$0

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$9,031,566	\$10,731,976
Capital Improvement	\$10,683,000	\$12,767,000
Central Library Services	\$13,052,510	\$47,663,130
Neighborhood Library Services	\$38,469,754	\$7,166,263
Technology, Content and Innovation	\$3,121,989	\$2,527,422
Library Programs and Partnerships	\$3,050,293	\$853,485

- FTEs increase from 946 to 983
- FTEs and appropriation shifted from Neighborhood Library Services to Central Library Services

Department of Cultural Affairs and Special Events

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$0	\$0
All other Funds	\$33,033,551	\$33,147,199

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$0	\$0

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$1,172,054	\$1,445,535
Arts and Creative Industries	\$4,071,525	\$3,981,145
Events Programming	\$14,213,634	\$13,682,137
Strategic Initiatives and Partnerships	\$1,759,192	\$3,014,544
Marketing and Communication	\$985,866	\$1,097,814
Cultural Planning and Operations	\$11,408,903	\$10,387,520

- **Shift of resources towards Strategic Initiatives**

Department of Planning and Development

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$14,191,649	\$14,445,048
All other Funds	\$166,812,134	\$171,528,447

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$9,438,587	\$9,405,680

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$7,091,176	\$7,456,310
Economic Development	\$6,173,062	\$6,177,171
Housing	\$148,276,765	\$155,469,596
Zoning and Land Use	\$6,128,671	\$17,810,410

- **Increased Affordable Housing Opportunity Fund: Increased revenue from \$23.9M in 2016 to \$38.6M in 2018, a 61% increase**
- **Expanded Neighborhood Opportunity Fund: Increased revenue expected to be \$23,313,000 in 2018, up from \$9.7M in 2017**

Office of Inspector General

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$5,598,286	\$5,896,544
All other Funds	\$3,043,142	\$2,994,353

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$4,946,046	\$5,007,319

By Purpose	FY 2017	FY 2018 Recommended
Investigations	\$2,037,899	\$2,177,311
Legal	\$1,750,028	\$1,768,291
Operations	\$1,432,894	\$1,602,530
Audit and Program Review	\$1,300,276	\$1,312,702
Public Safety Audit	\$2,279,122	\$2,336,562

- **Full year implementation of Public Safety Audit function**

Department of Buildings

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$26,103,732	\$25,331,242
All other Funds	\$12,191,290	\$12,086,007

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$19,723,099	\$19,628,998

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$2,610,530	\$2,651,425
Regulatory Review	\$380,608	\$352,108
Case Management	\$1,077,964	\$1,118,326
Code Compliance	\$210,960	\$210,960
Licensing	\$722,363	\$720,711
Building Inspections	\$1,268,499	\$1,297,252
Technical Inspections	\$12,933,647	\$13,133,715
Troubled Building Program	\$8,514,453	\$8,498,670
Code Enforcement	\$3,110,595	\$3,152,949
Small Project Permitting	\$1,871,833	\$1,815,267
Plan Review	\$4,528,903	\$4,557,471
Developer Services	\$1,701,760	\$994,460

- **No significant budget changes from 2017 to 2018**

Department of Business Affairs and Consumer Protection

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$18,761,601	\$18,672,192
All other Funds	\$975,000	\$1,634,000

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$13,666,267	\$13,902,171

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$1,823,175	\$1,908,915
Outreach, Education, and Municipal TV	\$833,728	\$2,145,479
Small Business Center - Advocacy	\$4,143,606	\$4,083,598
Small Business Center - Licenses/ Permits	\$3,078,670	\$2,848,382
Local Liquor Control	\$246,384	\$499,789
Public Vehicle Administration	\$2,304,149	\$2,179,261
Business Compliance Enforcement	\$1,819,213	\$5,696,703
Prosecutions and Adjudications	\$5,529,502	\$1,672,372
Cable and Telecommunications	\$494,879	\$

- **Combined Cable and Telecommunications with Advocacy and Outreach**
- **Resources shifted from Prosecutions and Adjudications to Enforcement**
- **Total appropriation and FTEs flat**

Commission on Animal Care and Control

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$6,340,736	\$6,479,324
All other Funds	\$0	\$0

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$4,635,433	\$5,031,507

By Purpose	FY 2015 Recommended	FY 2018 Recommended
Administration	\$514,986	\$581,664
Animal Control	\$1,808,293	\$1,928,458
Animal Care	\$3,912,005	\$3,748,158
Anti-Cruelty	\$353,267	\$373,709

- Increase in Personnel Services \$396K, 1 additional FTE
- Non-Personnel Services down \$257K

License Appeal Commission

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$179,427	\$186,667
All other Funds	\$0	\$0

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$76,932	\$84,420

By Purpose	FY 2017	FY 2018 Recommended
Appeals Process	\$179,427	\$186,667

- Salary adjustment for employee

Board of Ethics

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$825,807	\$833,803
All other Funds	\$0	\$0

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$756,420	\$765,541

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$666,926	\$143,628
Education	\$14,291	\$177,047
Compliance and Enforcement	\$10,234	\$138,379
Casework	\$13,359	\$94,101
Regulation	\$13,503	\$94,394
Disclosure Forms	\$105,522	\$105,988
Law Compliance	\$1,972	\$80,266

- FTEs and appropriation shifted from Administration other functions. Total appropriation and FTEs are flat

City Council

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$26,397,384	\$26,561,491
All other Funds	\$865,624	\$865,624

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$20,605,906	\$20,767,853

Committee	FY 2017	FY 2018 Recommended
Finance	\$2,213,360	\$2,264,180
Budget and Government Operations	\$543,968	\$543,968
Aviation	\$109,496	\$109,496
Licensing and Consumer Protection	\$125,246	\$125,246
Public Safety	\$161,855	\$161,855
Health and Environmental Protection	\$93,606	\$93,606
Committees, Rules and Ethics	\$145,568	\$145,568
Economic, Capital and Technology	\$105,075	\$105,075
Education and Child Development	\$168,483	\$168,483
Zoning Landmarks and Buildings	\$400,574	\$400,574
Housing and Real Estate	\$206,164	\$206,164
Human Relations	\$93,556	\$93,556
Transportation and Public Way	\$454,137	\$454,137
Pedestrian and Traffic Safety	\$249,379	\$249,379
Special Events and Cultural Affairs	\$162,108	\$162,108
Workforce Development and Audit	\$538,565	\$538,565
Legislative Reference Bureau	\$366,144	\$366,144
Council Office of Financial Analysis	\$301,216	\$301,216

Board of Election Commissioners

By fund type	FY 2017	FY 2018 Recommended
Corporate Fund	\$11,624,299	\$15,606,377
All other Funds	\$0	\$0

Corporate Fund	FY 2017	FY 2018 Recommended
Personnel Services	\$7,194,282	\$8,391,954

By Purpose	FY 2017	FY 2018 Recommended
Administration	\$2,489,723	\$4,433,752
Election Planning	\$908,585	\$1,380,501
Electronic Voting	\$1,775,748	\$3,233,931
Election Support	\$2,683,353	\$3,149,817
Warehouse and Equipment Preparation	\$1,213,373	\$1,717,831
Registration and Records Processing	\$1,878,625	\$1, 975,323

- **BoE is investing in new voting equipment**
- **2018 is an election year, requiring additional expenses for the board**

Finance General

By Purpose	FY 2017 Recommended	FY 2018 Recommended
Pensions	\$1,029,988,000	\$1,256,340,000
Loss in Collection of Taxes	\$20,748,000	\$21,634,000
Benefits	\$439,292,802	\$476,587,660
Workers' Compensation	\$71,510,000	\$71,510,000
Payment of Judgments	\$22,111,700	\$22,111,700
Debt Service	\$2,067,344,125	\$2,010,120,709
Other	\$508,662,192	\$520,632,978

- Ramp payments for state required contributions to the pension systems.
- Phasing out of practice of “scoop and toss”
- Funds for some work related injuries shifted from department budgets to finance general.

Areas of Support

After a few years of making necessary changes and choices to bring greater stability to the City of Chicago's finances, the proposed Fiscal Year 2018 budget continues with much of the progress that has been made, though in a few years' time, much more will need to be done. Without increases in the City's annual pension contributions, the four pension systems had been at risk of becoming "pay as you go" systems, costing taxpayers billions of dollars more and providing much more uncertainty to retirees. Ending the practice of scoop and toss has required some short term pain, but will provide relief in interest costs that risk further burdening taxpayers.

In recent years, changes in the way some services are delivered have allowed resources to be freed up in other areas. For example, moving to a grid based system for garbage collection has freed up resources to reduce the backlog of tree trimming requests, and with that backlog reduced, resources from the Department of Streets and Sanitation are now available for increased rodent abatement.

Establishing or increasing user-type fees has allowed for needed services to continue to be provided while freeing up resources in the Corporate Fund to finance increase pension contributions and debt service payments. These types of policies should continually be reviewed and implemented or expanded where appropriate.

To bring about long term fiscal stability, more work will need to be done. But, the Introduced 2018 budget continues with much of the progress that has been made.

Public Safety

Increasing the 9-1-1 surcharge from \$3.90 a month to \$5.00 a month is a reasonable action to take to allow for 9-1-1 services to be moved off of the corporate fund while also allowing for state mandated investments to be made to the 9-1-1 system.

Continued deployment of new technologies to aid in policing our communities is also a critical investment in the effort to reduce crime and shootings. Expanding the use of Strategic Decision Support Centers to 6 additional police districts is an investment worth making. Continual monitoring with regards to the effectiveness of these centers during expansion should be a key component in determining the best course of action for the deployment of the City's resources.

TIF Surplus

A significant portion of the budget gap for fiscal year 2018 is being closed with the declared surplus from the City's existing Tax Increment Financing Funds. This action is supported, and the Council Office of Financial Analysis believes that more could be done.

Last year, TIFs within the City of Chicago generated \$461 million, and a \$175 million surplus was declared. This year, TIFs generated \$100 million more, bringing in a total of \$560 million in revenue. (\$18 million of that increase can be attributed to the new transit TIF). And while some expenses were required to be delayed to generate the \$175 million surplus, it appears possible that more resources

could be available for the 2018 budget. Roughly \$90 million is included for TIFs' projected expenditures for the City's Smart Lighting program. The program is anticipated to cost around \$160 million throughout the four year implementation. The COFA does not disagree that TIF resources are an appropriate source of funds for this program, but based on the land area of the City of Chicago that falls within a TIF's boundaries, budgeting \$90 million for a \$160 million program seems high.

It has often been recommended that the City of Chicago reduce or eliminate TIF districts so that the revenue generated by the TIF is more in line with its anticipated TIF-purpose expenses. The COFA recommends that if such an endeavor were pursued, that it be done with extreme caution. Because the removal of parcels from a TIF returns that EAV to the individual taxing bodies, certain formula driven funding would be impacted. In particular, when EAV is returned to the taxing base for Chicago Public Schools, under the new state funding formula, the amount of local capacity that is assumed for CPS is increased. This in turn leads to a reduction in state aid under the Evidence Based Model that CPS would receive, ultimately providing very little relief to CPS's budgetary pressures.

Increased homeowners exemption

Under State law, in 2018, the general homestead exemption is being increased from \$7,000 to \$10,000 in Cook County. This change in law will bring greater progressivity to the property tax code and provide meaningful relief to a number of taxpayers. Based on existing assessment values, levies, and the equalization factor, below you can see how this change could impact certain homeowners.

Market Value	EAV w/\$7000 HE	EAV w/\$10000 HE	Tax under old HE	Tax under new HE	Difference
\$50,000.00	\$7,016.00	\$4,016.00	\$501.29	\$291.92	-\$209.37
\$100,000.00	\$21,032.00	\$18,032.00	\$1,502.74	\$1,310.75	-\$191.99
\$150,000.00	\$35,048.00	\$32,048.00	\$2,504.18	\$2,329.57	-\$174.61
\$200,000.00	\$49,064.00	\$46,064.00	\$3,505.62	\$3,348.39	-\$157.23
\$250,000.00	\$63,080.00	\$60,080.00	\$4,507.07	\$4,367.22	-\$139.85
\$300,000.00	\$77,096.00	\$74,096.00	\$5,508.51	\$5,386.04	-\$122.47
\$350,000.00	\$91,112.00	\$88,112.00	\$6,509.95	\$6,404.86	-\$105.09
\$400,000.00	\$105,128.00	\$102,128.00	\$7,511.40	\$7,423.68	-\$87.71
\$450,000.00	\$119,144.00	\$116,144.00	\$8,512.84	\$8,442.51	-\$70.33
\$500,000.00	\$133,160.00	\$130,160.00	\$9,514.28	\$9,461.33	-\$52.95
\$600,000.00	\$161,192.00	\$158,192.00	\$11,517.17	\$11,498.98	-\$18.19
\$750,000.00	\$203,240.00	\$200,240.00	\$14,521.50	\$14,555.45	\$33.95
\$1,000,000.00	\$273,320.00	\$270,320.00	\$19,528.71	\$19,649.56	\$120.85

In addition to an increase in the homestead exemption, eligibility for the Senior Freeze exemption is also being expanded so that seniors with incomes below \$65,000 are now eligible compared to the current \$55,000 income eligibility.

Areas of Caution

Reliance on Police Overtime

Citywide overtime spending has grown significantly over the past 5 years. In 2012, total reported overtime spending for all City departments was \$123.7M. In 2016, citywide overtime was \$265.5M.

The Chicago Police Department spends significantly more on overtime than any other department, and is an increasingly higher share of the overall City overtime spending. In 2012, overtime for CPD was about \$51M for the year, or 41% of total overtime. In 2016, CPD overtime was \$143M, or 53% of the citywide total overtime spend.

CPD is working with the Department of Finance to implement an electronic timekeeping system, a system that is in place in every other department throughout the City. While the COFA recognizes that the transition to electronic timekeeping is anticipated to be complete by 2019, this timeline should be accelerated if at all possible since it is likely that more accurate timekeeping will result in less overtime hours being paid for. CPD is also working to revise its policy on overtime use which in concert with more accurate and accountable record keeping should produce a much more reasonable amount of overtime spending.

The City is developing a policy for overtime use that will govern overtime in all non-public safety City departments. That policy is in development and not yet finalized.

Municipal recycling

The contract for municipal recycling is scheduled to expire during 2018, and how the City chooses to continue with a citywide recycling program should be given careful and cautious consideration. Despite now having blue carts citywide, Chicago's diversion rates continue to be embarrassingly low compared to peer cities across the country. With a global reduction in commodity prices, the value of the City's recycling contract may be reduced. But also because of these reduced prices, the City should be caution of entering into a contract that may end up offering greater incentives to the vendor for recycling materials to be taken to a landfill instead of properly recycled. The City should also begin thinking about what costs in addition to labor would be necessary if market conditions dictates that there are no suitable bidders and the Department of Streets and Sanitation is required to provide recycling pick-up citywide.

Municipal Identification

Since the approval of the creation of the Municipal ID in the 2017 budget, many of the details of this program have yet to be established. It has been promoted as a means to offer legal identification to undocumented residents, and is modeled after a successful program that has been established in New York City. However, the State of New York does not permit undocumented individuals to receive a State issued driver's license, whereas the State of Illinois does. While there will likely be other benefits of

offering a City ID for those who may not choose or need a State issued driver's license, the Clerk should take care to ensure that efforts are not duplicative of the Illinois Secretary of State, which may include what information is required to obtain the City ID.

Increasing Ride Sharing fees

The 2018 budget includes a proposal to provide funding for CTA capital projects by increasing the fees paid by ride sharing companies such as Uber and Lyft. While the specific fee increases are not necessarily objectionable, it would be easier to support if there were a fuller picture of the budget for the CTA based on what was discussed with the City Council. An increase in base fares of 25 cents would likely raise approximately \$40 million for the CTA, which could provide relief for their operating shortfall while providing some funding for capital, but it is not yet clear what the plan is for moving forward and how much money would be necessary based on various options that the CTA is currently examining.

If the CTA is planning on increasing fares, then ride sharing fees should also be increased to ensure that public transportation does not become a less financially competitive option.

Refunding by the Sales Tax Securitization Corporation

The COFA strongly supports the creation of the STSC. The objective to obtain additional savings through refunding by using the STSC appears achievable considering the AAA rating given to the corporation by Kroll and Fitch, and the AA rating applied by S&P. The proposed refundings are anticipated to secure net present value savings on those deals, which should be the primary objective.

The City is also anticipating to structure the deals so that the City receives accelerated savings. This practice is reasonable, and it allows the City to maintain its existing debt service payment schedule to cover the principal and interest payments for the refunding bonds in future years. However, at a time when additional funding pressures, particularly for pensions, are known, consideration should be given to refunding existing bonds in a way so that savings are achieved throughout the life of the debt service schedule. It is anticipated that future refunding bonds will be issued, and when those are issued, conservative repayment schedules to spread out the savings should be considered so that the City has greater fiscal flexibility in the future.

Collective Bargaining Agreements

The pressures placed on the Fiscal Year 2018 budget has been relieved with the expiration of the City's various collective bargaining agreements with labor organizations representing City employees. The COFA recognizes that there is a lot of give and take that does take place during the collective bargaining process, but also recognizes that some wage and salary adjustments are likely to be included in any agreement. If those agreements take effect in Fiscal Year 2018, it is possible that some budgetary items will need to be revisited, and revenues found for those increased costs. Additionally, if the new CBAs require any retroactive changes in pay, the issuance of debt should not be used to cover those additional expenses as has been done in the past.

Growing Pension Contributions

While the City has made great strides in moving towards making actuarially based pension contributions, those contributions are not there yet. Significant additional investment will need to be made to cover those statutorily required costs. Below is the projected funding schedule for the two public safety pension funds over the next four year (figures in '000s).

Year	PABF Contribution	FABF Contribution	Combined Public Safety Pension Contributions
2018	\$557,000.00	\$235,000.00	\$792,000.00
2019	\$579,000.00	\$245,000.00	\$824,000.00
2020	\$781,625.00	\$339,701.00	\$1,121,326.00
2021	\$801,465.00	\$347,750.00	\$1,149,215.00

Beginning in Fiscal Year 2020, the combined required contribution is anticipated to increase \$297 million. The City should begin thinking of ways in which to finance the pension schedule once the “ramp” period is over. An updated actuarial valuation to incorporate changes in funding for the Municipal Employees’ Annuity and Benefit Fund was not conducted as part of the 2016 valuation since those changes had not yet been enacted into law, but substantial increases in those contributions are anticipated in 2022 in addition to those required for the public safety funds in 2020.

The most cost effective way to pay off the City’s debt over the long term is to provide greater increases in the funded ratios of the pension systems in the near term. The City should begin discussing the potential for finding ways to amortize this debt in a manner that both ensures that the pension systems are sufficiently funded and that the fiscal pressure placed on the City throughout the life of the funding schedule is manageable.

Conclusion

The Council Office of Financial Analysis supports the Fiscal Year 2018 budget, recognizing that it is continuing down the path towards greater fiscal stability. The elimination of “scoop and toss”, increasing pension contributions so that they are based on actuarial science, and making difficult decisions to rein in costs such as reducing health care subsidies for many retired city employees are very strong steps towards placing the city in a better financial position. With that said, there are many additional fiscal pressures on the horizon, and the sooner those pressures are able to be addressed, more certainty and stability will be provided to the residents of the City of Chicago.